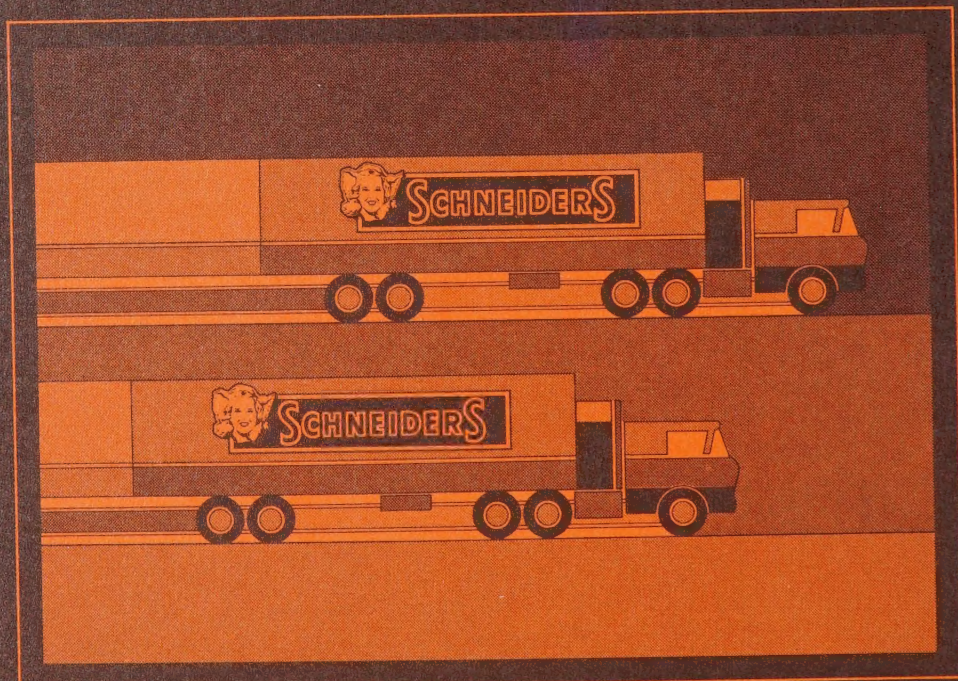


SCHNEIDER CORPORATION ANNUAL REPORT-1975
formerly J.M. Schneider, Limited

AR49





Cover

We take considerable pride in our fleet of transports which now cover Canada from the West Coast to Montreal. Deliveries to the Maritimes are made by common carrier. Every vehicle is a travelling billboard. Each unit is fully refrigerated and can switch to an electrical standby hook-up while on our transport lots in Kitchener thus reducing both noise and pollution levels. Each time a vehicle makes a trip it is thoroughly washed and sanitized inside, as well as washed outside. Great care is taken to maintain our fleet in first-class condition. It is indeed the heart of our distribution system.

Financial Highlights

Schneider Corporation

	1975	1974
Sales	\$217,018,000	\$202,270,000
Net earnings	\$3,065,000	\$3,286,000
Earnings per share	\$1.13	\$1.21
Percent of sales	1.41%	1.62%
Percent of shareholders' equity	10.28%	11.97%
Dividends (including tax paid on undistributed income)	\$702,000	\$810,000
Rate per share	26¢	30¢
Working capital	\$12,000,000	\$11,276,000
Working capital ratio	1.91	1.82
Shareholders' equity	\$29,810,000	\$27,447,000
Per share	\$11.04	\$10.16

Important Dates for Shareholders

Company fiscal year 1976: October 26, 1975, to October 30, 1976 (53 weeks)

Dividend Dates

Payable:

April 15, 1976 – July 15, 1976 – October 15, 1976 –
January 14, 1977

Record: (4 weeks prior to date of dividend payable, closest Friday)

March 19, 1976 – June 18, 1976 – September 17,
1976 – December 17, 1976

Fiscal Quarter endings

1st Quarter: February 21, 1976, containing 17 weeks

2nd Quarter: May 15, 1976, containing 12 weeks

3rd Quarter: August 7, 1976, containing 12 weeks

4th Quarter: October 30, 1976, containing 12 weeks

Quarterly Reports are usually ready six weeks from end of quarter and are mailed on the closest Tuesday. (4th Quarter Reports are delayed because of year-end figures)

Annual Meeting

The Annual General Meeting of shareholders will be held at the Valhalla Inn, Kitchener, Ontario, on Wednesday, April 7, 1976, at 7:30 p.m. Shareholders are cordially invited to attend.

Fact Sheet for New Shareholders

Schneider Corporation

For the benefit of new shareholders we are including in our report this year a "Fact Sheet" or quick run-down on the company which you may find useful for ready reference. We welcome your interest and confidence in Schneiders.

Our Policy

Our policy is to offer the *consumer* a wide range of nutritious, carefully-processed food products of the highest quality; to offer a sound, long-term investment to our *shareholders*; and to provide our *employees* with a secure and rewarding career.

What We Do

Schneiders is the fourth largest meat packer in Canada with sales last year of \$217 million. Our product mix leans heavily towards pork and particularly toward processed pork in the form of sausages, bacon, smoked meats, luncheon meats and hams. Schneider meats however, also include beef, lamb and poultry in a variety of forms — fresh, processed, fast-frozen, cured, smoked and cooked.

Our Products

We now process and market over 400 different products, a list of which will be found on the inside back cover. They are now sold all across Canada, in border cities such as Detroit, Buffalo and Rochester, and in the Caribbean.

Our Plants

We process our food products in eight plants across Canada. They are located in Kitchener, Ayr and Wellesley, all in Ontario; Winnipeg (3); and Burnaby, B.C. Eighty percent of our production goes through our Kitchener plant which employs four-fifths of our total staff.

Sales Growth

Over the last ten-year period, our sales have grown from \$58,898,000 to \$217,018,000 in 1975; our net earnings from \$1,346,000 to \$3,065,000; our employee wage bill from \$9,978,000 to \$32,613,000; our total assets from \$12,734,000 to \$48,060,000; the number of shareholders from 422 to 2,385.

Our Employees

Members of the "Schneider family" now number 2,615. Nearly all are represented by the Schneider Employees Association, an independent union certified by the Ontario Labour Relations Board. The current, main 26-month contract runs out on July 31, 1976. Many of our employees are second and third generation. Many have been employed for long periods — in fact, 197 now belong to our 25-Year Club.

Share Ownership

Active company employees own 49.9 percent of common shares and 25.1 percent of class B and C preference shares; other Canadians own 49.9 percent common and 74.7 percent of B and C. Non-Canadians own the miniscule remainder.

Our Annual General Meeting

This year it will be held at the Valhalla Inn in downtown Kitchener, at 7:30 p.m. on Wednesday, April 7, 1976. All shareholders, especially new ones, are cordially invited to attend. You are also invited to tour our plant facilities on Courtland Avenue. Tour arrangements can be made by phoning (519) 885-8100.

How the Company Began

In the spring of 1890, John Metz Schneider, then a dollar-a-day button factory employee in Kitchener, set up a sausage-making business in the basement of his home. For two years he kept his button factory job while selling his sausages in his spare time — going to and from work. When growing demand forced him into new premises he built a house next door, on the theory that whatever the future held, his wife and five children would always have a roof over their heads.

...and Grew and Grew

That was the beginning. Slowly the Schneider enterprise grew until, in the early 1920s, the company built a major new plant on its present site on Courtland Avenue, Kitchener. Major additions to plant capacity came in 1941, 1949, 1953, 1960, 1961, 1965, and 1975-76. With several small-to-medium sized acquisitions in Winnipeg and Vancouver in 1972 and 1973, the company jumped from a regional to a national supplier of processed meat.

Directors and Officers

Schneider Corporation

DIRECTORS

- † **Henry G. Beben**
Waterloo, Ontario
Vice-President, Sales &
Marketing
J.M. Schneider Inc.
- †* **Milton R. Good**
Breslau, Ontario
President & General Manager
H. Boehmer Ltd.
- ** **J. Ruth Jackson**
Kitchener, Ontario
- †* **Dawson C. Jamieson**
Waterloo, Ontario
Vice-President, Finance &
Administration
J.M. Schneider Inc.
- ** **Mervyn L. Lahn**
Executive Vice-President
Canada Trust Company
London, Ontario
- Gordon A. Mackay, Q.C.**
Kitchener, Ontario
Senior Partner—Mackay,
Kirvan, Guy
- * **Howard W. Main**
Kitchener, Ontario
Executive Vice-President
Electrohome Limited
- † **Kenneth G. Murray**
Bright, Ontario
President
J.M. Schneider Inc.
- † **Frederick P. Schneider**
Kitchener, Ontario
Chairman of the Board
Schneider Corporation
- Herbert J. Schneider**
Kitchener, Ontario
Vice-President, Personnel &
Public Relations
J.M. Schneider Inc.
- Howard G. Schneider**
Kitchener, Ontario
Vice-President & Director of
Research & Development
J.M. Schneider Inc.

OFFICERS

- Frederick Paul Schneider**
Chairman of the Board
- Kenneth George Murray**
President
- Dawson Charles Jamieson**
Treasurer
- Gordon Alexander Mackay**
Corporate Secretary
- Anna Grace Hartleib**
Assistant Corporate Secretary

HONORARY DIRECTOR

- Norman C. Schneider**
Past Chairman

HEAD OFFICE

Schneider Corporation
321 Courtland Avenue East
P.O. Box 130
Kitchener, Ontario N2G 3X8

REGISTRAR and TRANSFER AGENT

Canada Trust Company
Toronto, Montreal, Winnipeg
& Vancouver

AUDITORS

Thorne Riddell & Co.

SHARES LISTED

Toronto Stock Exchange
Montreal Stock Exchange

* Member of Audit Committee
† Member of Executive Committee
** Appointed January 21, 1976

To the Shareholders of Schneider Corporation

Schneider Corporation

We are pleased to report on the activities of the Corporation for the fiscal year ending October 25, 1975, during which period the Corporation was known as J.M. Schneider, Limited.

Nineteen seventy-five was a year that presented the meat processing industry with more difficulties than we've experienced for several years. Decreased hog runs, poor economic conditions and keen competition combined to put pressures on all of us. However, despite these problems our people reacted in a most satisfactory manner and achieved results in which, under the circumstances, we can be justifiably proud:

It was one of those years of paradox—while our sales continued to climb, our net earnings fell for the first time in nine years, due largely to the higher cost of raw materials.

THE FINANCIAL PICTURE

Our overall dollar sales showed a gain of 7.3% over 1974 and climbed to a new high of \$217,018,000. However, net earnings did not keep pace and declined by 6.6% to \$3,065,000. Per dollar of sales, earnings dropped to 1.41 cents in 1975. This compares to an average of 1.75 cents for the 10-year period ending 1975 and is the lowest return on sales during that time.

Earnings per share were \$1.13 down 6.6% from 1974 and are now 71% greater than they were in 1969 when the company made its first offering of shares to the public at a price of \$8.50 each.

Our financial health is measured by such things as the ratio of our current assets, like accounts receivable and inventory, to current liabilities, such as accounts payable, bank advances, etc. This is known as the working capital ratio and it improved during 1975 to 1.91 from 1.82 at the end of 1974. Long term debt remains virtually unchanged.

Our capital expenditures in 1975 amounted to \$4,600,000 and this was

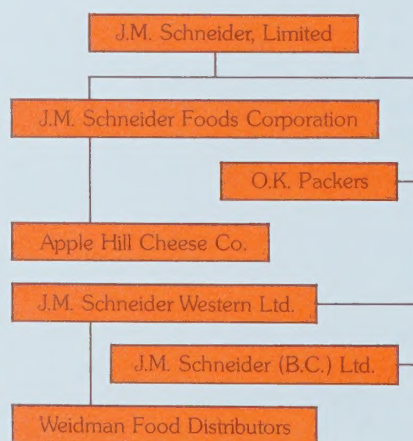
largely for our new corporate head office. Present commitments require a further \$8,500,000 to carry out needed improvements in layout and equipment mainly in our Kitchener plant, and to complete the new office building (which we hope will be ready for us by July 1976). The move into our new office building will release much-needed space which we intend to use to increase our capacity and productivity.

CORPORATE RESTRUCTURING

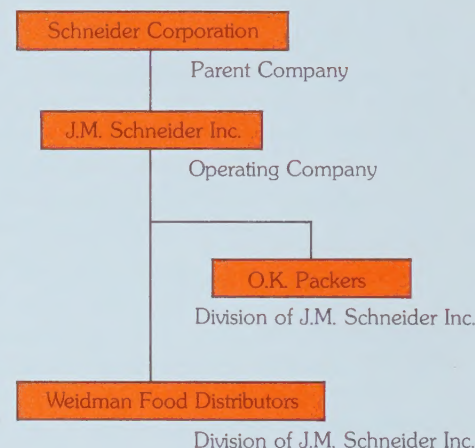
By now many people will be aware of our recent corporate restructuring which combined our several operating companies into one to be now known as J.M. Schneider Inc. We did this for efficiency's sake. It will simplify both accounting and administration. Our day-to-day operations, however, will not be affected.

To provide for keeping possible future acquisitions separate from our major meat operation (J.M. Schneider Inc.) we have superimposed a holding company (Schneider Corporation) which could hold them directly, but distinct from J.M. Schneider Inc. There are, however, no plans for such acquisitions at present.

Former Corporate Organization



New Corporate Organization



During the year we sold our cheese manufacturing plant at St. Isidore, Ontario, to Ault Food (1975) Ltd. We have made arrangements with Ault Foods and other suppliers to satisfy our requirements for all the types of cheese we presently market. We will continue to age, process and package cheese at our plant in Wellesley, Ontario.

BOARD OF DIRECTORS

We were sorry to lose the services of two of our board members of long-standing, R.W. Steinberg and J.B. Banks, with a total of twenty-six years of service. This resulted from the retirement of Mr. Banks and changes in company organization affecting Mr. Steinberg's responsibilities. We thank both these men for their long and valued assistance.

We welcome two new members who have had no previous connection with the company. They are Mr. Mervyn L. Lahn, Executive Vice-President, Canada Trust Company, and Mrs. Ruth Jackson, President of the Ontario section of the Consumers' Association of Canada. Mr. Lahn has a background of varied business experience in the trust field and Mrs. Jackson has been asso-

Schneider Corporation

ciated with consumer groups for many years. We look forward to their counsel and advice.

These changes became effective January 21, 1976. The directors listed in this annual report are those of the newly created Schneider Corporation which became the effective successor of J.M. Schneider, Limited, on October 26, 1975. They are those proposed for election at our annual meeting April 7, 1976.

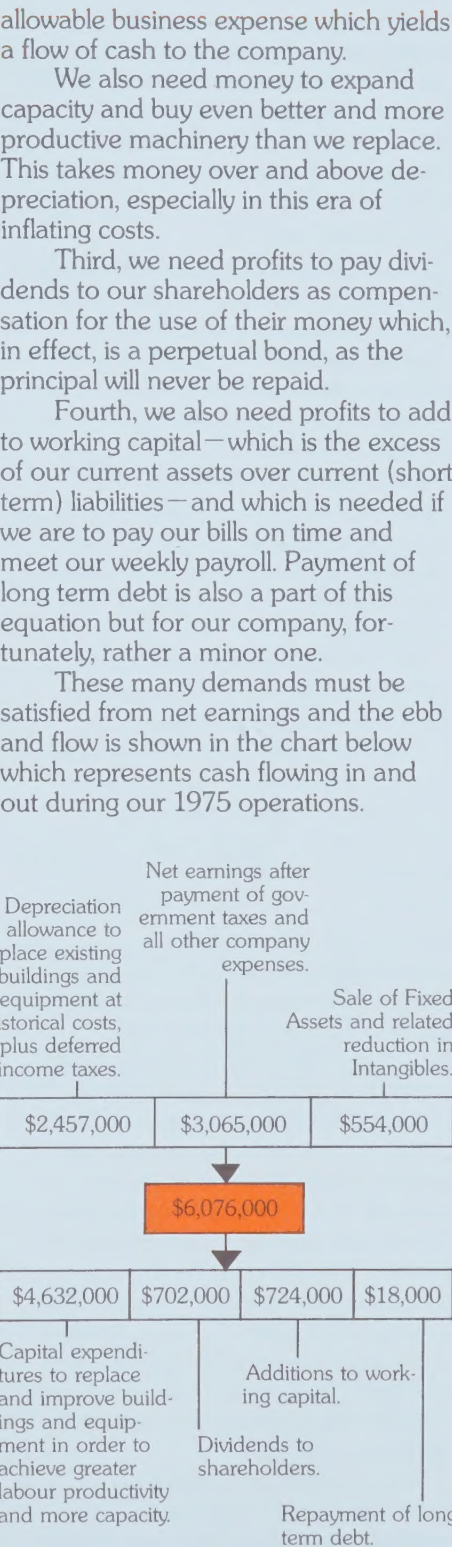
ANTI-INFLATION CONTROLS

What effect the government's anti-inflation controls will have on our operations is hard to assess. Our continuing program of creating more and better productive facilities requires a steady flow of earnings. It is hard to imagine any governmental action which would, in the long run, curtail such needed improvements and thus stifle our productivity by a forced reduction in profits. Any move which reduces fair and reasonable profits would, in our opinion, be counter-productive and result in higher prices and more imported food as Canadian processors failed to keep pace with technological advances and the need for additional capacity.

OUR NEED FOR PROFITS

There is much mystery and misunderstanding in the minds of many people about profits and their function in our free enterprise economy. In our view, they are a direct and necessary cost of providing for future customers, of our ability to stay in business year after year and of continuing to increase our productivity—and hence the living standards for all of us. Profit gives us a lever to create greater efficiencies. Profits flowing back into retained earnings go in turn into buildings and equipment designed to raise our productivity.

Without profits, business would perish. First, our business—like any other—needs money to replace present equipment and facilities as they become obsolete or wear out. This loss in value is known as depreciation and is an



A decrease in a company's earnings, such as happened to us during 1975, directly affects our ability to improve labour productivity and to increase capacity. Lower earnings make it difficult to raise share or equity capital. They impair our ability to do needed research and product development. They undermine our ability to provide a fair compensation to the shareholder in return for his investment. Stock investors have been tremendously disadvantaged in these inflationary years, as they have seen their shares decline in real purchasing power and their earnings eroded by tax applied against profits inflated by inadequate depreciation allowance and by inflationary inventory gains.

EMPLOYEE RELATIONS

Employee relations have always been excellent at Schneider's and we have always believed in the philosophy of sharing the profits. Last year we paid out a total of \$387,000 in our profit sharing and management incentive plans.

However, in today's economic climate, profit sharing is difficult and impractical. We are therefore recommending the discontinuance of both our profit sharing and management incentive bonus plans, effective the beginning of our 1976 fiscal year.

This has been a tough decision to make. However, the simple fact is that our wages and benefits are comparable to those in other meat processing plants. Our average plant wage has increased 31% in the last two years and 72% over the last five years.

We will continue to promote from within; we will continue to develop our own managers through our management trainee scheme; we will continue to be mindful of the needs and motivations of all employees through our programs of consultation and communication whenever and wherever there are work changes liable to affect them.

To the Shareholders of Schneider Corporation

Schneider Corporation

Our present two year labour contracts expire in mid-1976 and we will do all that we can, consistent with the government's anti-inflation controls, to keep pay rates current and in line with those throughout the meat processing industry.

This year was again one of all-out endeavour from everyone connected with Schneiders — from the board room to the plant floor, from the sales network to the transport fleet. We would like to express our appreciation of the very loyal service and hard work from all employees of the company.

SALES AND MARKETING

Our national expansion continued to go well in 1975. Both Maritime and Western districts showed marked improvement in distribution and sales. As well, our food service sales — to hotels, restaurants and institutions — continued the steady improvement shown over the past several years. In fact this is now the fastest-growing segment of our business and accounted for 22% of our sales last year.

In our more traditional markets, we were able to improve our market position, particularly in our key processed lines.

This year was the most successful we've had in one very important part of our business...new products. These included such items as meat pies, in four different kinds. Not only have these new products been introduced successfully, but in many instances they are products with unique attributes which should contribute to our profitability for many years to come. We have been, and will continue, developing products which set us apart in the marketplace; products which can be recognized as distinctively "Schneider".

In 1975, new products amounted to 8% of our total sales and contributed an estimated 6% to our net earnings after the expenses of introduction.

These successes are a direct result of a more aware and aggressive market-

ing posture which has substantially changed our traditional approach to the market. We are now using more sophisticated marketing techniques. As we continue to refine our marketing we can expect continuing good performance on the sales graph.

WHOLESOME MEATS

The question of wholesome meat drew a great deal of attention last year with accusations of improper practices against several Quebec plants. The system of uniform, national, federal inspection under which Schneider's operates was never in question. We continue to advocate this for all plants in Canada, regardless of location or market. This would ensure greater uniformity and place all competing plants on a similar basis vis-à-vis costs of operations and construction.

We consider good sanitary practice is essential in any food plant as well as making good business sense. Schneider's is a company built on quality and the creed of its founder John Metz Schneider, "Don't use it if you would not eat it yourself or serve it to your family", is still strictly adhered to in our plants.

THE FUTURE OUTLOOK

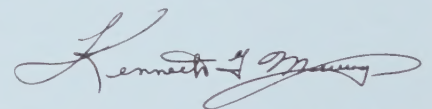
The future outlook for livestock is clouded and hard to forecast. Food costs have risen at a greater rate recently than the general cost of living. This increase stems from a gradual tightening of world food supplies. There is a need for much higher production as a growing population clamours for more food of a higher quality. As people's incomes rise they appear to want to substitute cereals and root crops for an increasing percentage of meat. Here in Canada our higher productivity must stem from an ever-shrinking base of arable land — a phenomenon which should disturb more people, especially in Southern Ontario.

Pork supplies in Canada for 1975 were at their lowest point since 1969. Nevertheless, we show increased sales

of all pork products over last year. Supply should improve by 1977, but this is subject to food needs and expectations in both developing and developed countries. These needs keep feed grains high in price and provide a profitable alternative to the producer to the chore of converting such grains to pork meat.

The policy of the company for the future is first to use its resources to develop present profitable operations. These will be centralized at the Kitchener plant for national distribution by our own fleet of transports. Second, other related products will continue to be introduced into the marketplace. These will be sold under a brand controlled by Schneider Corporation and be financially viable in national distribution.

This program requires substantial sums of money as we continue renovations at our Kitchener plant to keep our productivity high and to provide increased capacity for the addition of new lines and more sales of the old ones. Profits must be the prime source of such money. Profits are the fuel of a free enterprise economy. They measure our success in the satisfaction of consumer wants and give us the power to do an even better job in the future.



PRESIDENT



CHAIRMAN

1975 Sales Dollar Analysis

Schneider Corporation

COST

71.9¢ MATERIALS (\$156,052,000)

Livestock, Dressed Meat, Ingredients,
Food Products, Packages & Cartons

15.0¢ EMPLOYEES (\$32,613,000)

Wages, Benefits & Bonuses

10.5¢ OPERATING EXPENSES (\$22,743,000)

Supplies, Utilities, Business Services,
Selling, Administration, Maintenance,
Depreciation & Distribution

1.2¢ INCOME TAXES (\$2,545,000)

Federal & Provincial

1.4¢ PROFIT (\$3,065,000)

0.3¢ for Dividend Payments, 1.1¢ Retained
in Business for Continuous Operations &
Future Growth



SERVICE PROVIDED

Market for Livestock

Efficient & Economical Conversion of
Raw Materials to Safe, Wholesome Food,
Providing Variety & Convenience

Warehousing and Distribution to
Where It Is Needed, When It Is Needed,
& In the Proper Quantities

Consolidated Statement of Earnings

Schneider Corporation

Year Ended October 25, 1975 <i>(with comparative figures for 1974)</i>	1975	(IN THOUSANDS OF DOLLARS)	1974
Sales	\$217,018		\$202,270
Expenses			
Raw materials	148,087		142,128
Packaging materials	7,965		6,560
Manufacturing	32,627		28,891
Marketing and distribution	15,339		11,472
Administrative and general	5,255		5,492
Interest on long term debt	180		185
Depreciation and amortization (note 4)	1,955		1,671
	211,408		196,399
Earnings before income taxes	5,610		5,871
Income taxes	2,545		2,585
NET EARNINGS	\$ 3,065		\$ 3,286
EARNINGS PER SHARE	\$1.13		\$1.21

Consolidated Statement of Retained Earnings

Schneider Corporation

Year Ended October 25, 1975 <i>(with comparative figures for 1974)</i>	1975	(IN THOUSANDS OF DOLLARS)	1974
Balance at beginning of year	\$18,657		\$16,181
Net earnings	3,065		3,286
	21,722		19,467
Dividends on			
Class B preference shares, in cash	434		481
Class C preference shares			
Cash	144		183
Tax paid on undistributed income	25		32
Common shares, in cash	99		114
	702		810
BALANCE AT END OF YEAR	\$21,020		\$18,657

Consolidated Statement of Changes in Financial Position

Schneider Corporation

Year Ended October 25, 1975 <i>(with comparative figures for 1974)</i>	1975	(IN THOUSANDS OF DOLLARS)	1974
WORKING CAPITAL DERIVED FROM			
Operations			
Net earnings	\$ 3,065		\$ 3,286
Items not involving working capital			
Depreciation and amortization	1,955		1,671
Deferred income taxes	502		681
	5,522		5,638
Sale of fixed assets	377		62
Reduction of intangibles arising from sale of cheese manufacturing facilities (note 8)	176		
Reduction in mortgages receivable	1		10
Issue of Class B preference shares for cash			1
	6,076		5,711
WORKING CAPITAL APPLIED TO			
Additions to fixed assets	2,595		2,382
Deferred renovations and fixed assets under construction	2,037		868
Dividends, including tax paid on undistributed income	702		810
Decrease in non-current portion of long term debt	18		54
Excess of cost over book values at dates of acquiring shares of subsidiary companies			34
	5,352		4,148
INCREASE IN WORKING CAPITAL	724		1,563
WORKING CAPITAL AT BEGINNING OF YEAR	11,276		9,713
WORKING CAPITAL AT END OF YEAR	\$12,000		\$11,276

Consolidated Balance Sheet

Schneider Corporation

ASSETS – October 25, 1975 <i>(with comparative figures at October 26, 1974)</i>	1975	(IN THOUSANDS OF DOLLARS)	1974
CURRENT ASSETS			
Accounts receivable	\$12,013		\$ 9,291
Inventories (note 2)	12,408		14,768
Other	726		892
TOTAL CURRENT ASSETS	25,147		24,951
MORTGAGES RECEIVABLE, at cost	63		64
FIXED ASSETS (note 3)			
Land and improved areas, buildings, machinery and equipment, at cost	31,822		30,056
Less accumulated depreciation	15,067		13,655
TOTAL FIXED ASSETS	16,755		16,401
DEFERRED RENOVATIONS AND FIXED ASSETS UNDER CONSTRUCTION	2,905		868
INTANGIBLES (notes 4 and 8)			
Excess of cost over book value at dates of acquiring shares of subsidiaries, less amortization	1,723		1,920
Goodwill, at cost less amortization	1,467		1,537
TOTAL INTANGIBLES	3,190		3,457
TOTAL ASSETS	\$48,060		\$45,741

Consolidated Balance Sheet

Schneider Corporation

LIABILITIES – October 25, 1975 <i>(with comparative figures at October 26, 1974)</i>	1975	(IN THOUSANDS OF DOLLARS)	1974
CURRENT LIABILITIES			
Bank advances	\$ 2,984		\$ 5,074
Accounts payable and accrued liabilities	9,615		8,127
Income taxes payable	530		420
Principal due within one year on long term debt	18		54
TOTAL CURRENT LIABILITIES	13,147		13,675
LONG TERM DEBT (note 5)	2,091		2,109
DEFERRED INCOME TAXES	3,012		2,510
 SHAREHOLDERS' EQUITY			
CAPITAL STOCK (note 6)	8,322		8,322
CONTRIBUTED SURPLUS (note 7 (a).)	468		468
RETAINED EARNINGS	21,020		18,657
TOTAL SHAREHOLDERS' EQUITY	29,810		27,447
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$48,060		\$45,741
CONTINGENT LIABILITIES AND COMMITMENTS (notes 3 and 7)			

Approved by the Board F.P. Schneider, *Director*

D.C. Jamieson, *Director*

Auditors' Report

Schneider Corporation

To the Shareholders of Schneider Corporation.

We have examined the consolidated balance sheet of J.M. Schneider, Limited as at October 25, 1975 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at October 25, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE RIDDELL & CO.
Chartered Accountants

Kitchener, Ontario, December 12, 1975

Notes to Consolidated Financial Statements

Schneider Corporation

Year ended October 25, 1975

1. Summary of Accounting Policies

(a) CONSOLIDATION POLICY

The consolidated financial statements include the accounts of the wholly owned subsidiary companies:

- J. M. Schneider Western Ltd.
- J. M. Schneider Foods Corporation
- J. M. Schneider (B.C.) Limited

(b) INVENTORIES

Products, which include raw material, work in process and finished goods, are valued at lower of cost and net realizable value. Since most products can be sold at any stage in their production it is not practical to segregate them into raw materials, work in progress or finished goods. Cost includes laid down material cost and manufacturing labour and certain elements of overhead to the stage of production completion. Net realizable value is based on the adjusted wholesale trading price at balance sheet date.

Supplies, which include packaging and manufacturing materials, are valued at the lower of cost and replacement cost.

(c) FIXED ASSETS

Fixed assets are valued at cost less accumulated depreciation. Cost includes capitalized interest incurred on major projects during the period of construction. Depreciation is provided on a straight line basis to amortize the cost of the assets over their estimated useful life. Depreciation is not provided on assets under construction.

(d) DEFERRED RENOVATIONS

Renovations of significant value but which do not warrant capitalization are deferred and written off over a period of three years commencing in the first month of usage.

(e) INTANGIBLES

Goodwill and the excess of cost over book value at dates of acquiring shares of subsidiaries or businesses are being amortized on a straight line basis over forty years.

(f) DEFERRED INCOME TAXES

Deferred income taxes are provided for timing differences in reporting expenses for financial statements and income tax purposes. The company's policy is to reduce income taxes currently payable by following the procedures available under the income tax acts. The accumulated total of such income tax deferrals, which arose to a large degree by claiming capital cost allowances in excess of depreciation and amortization recorded in the accounts, is reflected in the balance sheet as "Deferred income taxes".

(g) ONTARIO DEVELOPMENT CORPORATION LOAN

The company in 1970 included in contributed surplus an interest free loan of \$250,000 which will be forgiven over a period of six years from the date of receipt (note 7(a)).

(h) PENSION PLANS

The unfunded past service obligation under pension plans is charged against income in the year in which it is paid (note 7(b)).

(i) EARNINGS PER SHARE

Earnings per share are calculated on the weighted average number of shares outstanding in the year.

2. Inventories

	1975	1974
Products	\$11,574,000	\$13,742,000
Supplies	834,000	1,026,000
	\$12,408,000	\$14,768,000

3. Fixed Assets

		1975	1974
	Cost	Accumulated depreciation	Net
Land and improved areas	\$ 831,000	\$ 94,000	\$ 737,000
Buildings	12,276,000	4,616,000	7,660,000
Machinery and equipment	18,715,000	10,357,000	8,358,000
	\$31,822,000	\$15,067,000	\$16,755,000

The Board of Directors has approved the following future capital expenditures:

Production facilities	\$1,100,000
Machinery and equipment	4,500,000
Administration building	2,900,000

Of these amounts approximately \$4,000,000 relates to projects now under construction.

4. Intangibles

Amortization of intangibles deducted in computing earnings amounted to \$91,000 (1975 and 1974).

5. Long Term Debt

	1975	1974
9½% Debenture, payable \$2,000 monthly including principal and interest and maturing September 1, 1980	\$ 109,000	\$ 126,000
7% First mortgage serial bonds maturing January 2, 1975		37,000
8½% Debenture, with interest payable semi-annually, principal payable \$100,000 annually commencing June 1, 1977 and maturing June 1, 1991	2,000,000	2,000,000
	2,109,000	2,163,000
Less principal included in current liabilities	18,000	54,000
	\$2,091,000	\$2,109,000

Principal due within each of the next five years is as follows:

1976	\$ 18,000
1977	120,000
1978	122,000
1979	124,000
1980	125,000

A fixed and specific charge on land, building, machinery and equipment of J.M. Schneider Western Ltd. and a floating charge on all assets of J. M. Schneider, Limited and J. M. Schneider Western Ltd. have been given as security for long term debt.

Schneider Corporation

6. Capital Stock

The authorized and issued capital stock as at October 25, 1975 is as follows:

Authorized

4,989,512 24¢ Cumulative participating Class B preference shares without par value (1974, 4,784,488 shares)

511,488 24¢ Cumulative participating Class C preference shares without par value (1974, 716,512 shares)

379,799 Common shares (1975 and 1974)

Issued	1975	1974
1,810,440 Class B preference shares (1974, 1,605,416 shares)	\$6,306,000	\$5,592,000
510,488 Class C preference shares (1974, 716,512 shares)	1,778,000	2,492,000
379,799 Common shares (1975 and 1974)	238,000	238,000
	\$8,322,000	\$8,322,000

The cumulative participating Class B preference and the cumulative participating Class C preference shares are convertible one into the other at any time at the option of the holder. By virtue of The Business Corporations Act, upon any such conversion, the number of authorized and outstanding shares of each class affected by such conversion is changed accordingly. In view of the convertible nature of Class B and Class C shares the total value of these shares is prorated between the classes on a share for share basis.

From time to time the company reserves Class B shares under its Stock Option Plan for issuance upon the exercise of options which may be granted at the discretion of the Board of Directors to executives and key employees of the company. Such shares are to be issued at a price not less than the greater of (a) the average of the high and low sale price for such shares as reported by The Toronto Stock Exchange for the week previous to the time of the granting of the option or (b) 90% of the market price (as defined) of such shares at the time of granting the option. The option period may extend up to five years from date of grant and such option may be exercised in full at any time during such period.

Outstanding options at October 25, 1975 are as follows:

Year granted	Number of shares Granted	Price per share	Date of expiry
1972	17,000	\$ 9.00	August 31, 1977
1973	14,000	\$11.00	December 5, 1978
1974	14,000	\$ 7.25	November 18, 1979

At October 25, 1975, 57,650 Class B shares were reserved for issuance under the Stock Option Plan.

The company has also reserved 63,197 Class B shares which may be offered to employees of the company and its subsidiaries under its Employees Payroll Deduction Capital Stock Purchase Plan. Such shares are to be issued at a price not less than 90% of the market price (as defined) on the day the employee entered the plan. No options to purchase Class B shares under this plan were granted during the year.

7. Contingent Liabilities and Commitments

(a) An interest free loan of \$250,000 received from the Ontario Development Corporation in 1970 will be forgiven over a period of six years from the date of receipt provided the company continues to operate its meat processing plant at Ayr, Ontario. An amount of \$25,000 was forgiven in each of the years commencing with 1971.

(b) It is estimated that the present value of the unfunded past service obligation under pension plans amounts to \$2,422,000. Annual payments of \$253,000 are required to liquidate this obligation by December 31, 1989. During the year the company paid \$253,000 (\$207,000 in 1974) against the past service obligation. The related costs are being charged against income in the year of payment.

8. Cheese Manufacturing Facilities

By agreement dated July 21, 1975, the cheese manufacturing facilities in Eastern Ontario were sold for a consideration of \$467,000 in cash. Contracts have been entered into for the supply of cheese to the company for a period of five years, with a further five years at the option of the company, at a moving price related to the cost of milk.

Earnings for the year have been reduced by \$176,000 as a result of writing off intangibles pertaining to the assets sold.

9. Profit Sharing Plans

Profits shared with employees amounted to \$387,000 (\$618,000 in 1974) under the companies' profit sharing plans. These plans were rescinded subsequent to the year end effective October 26, 1975.

10. Governmental Legislation

The company and its subsidiaries are subject to the requirements of the Anti-Inflation Act which came into effect on October 14, 1975. This legislation places certain governmental controls on the companies' selling prices, wages, salaries and earnings.

In addition, dividends have been limited on all the classes of share capital outstanding to an amount not in excess of 30 cents per share per annum (including tax paid to create tax-paid surplus out of which Class C dividends may be paid).

11. Subsequent Events

By Certificate of Amendment of Articles effective October 26, 1975, the company changed its name to Schneider Corporation.

On October 26, 1975, the wholly owned subsidiaries J. M. Schneider Foods Corporation and J. M. Schneider Western Ltd. amalgamated to form J. M. Schneider Inc. It is the intention of the managements of the company and its subsidiaries that, effective October 26, 1975:

- Schneider Corporation will acquire the land and buildings of J. M. Schneider Inc.,
- J. M. Schneider Inc. will acquire the machinery and equipment of Schneider Corporation,
- J. M. Schneider Inc. will acquire the assets, leases and business of the wholly owned subsidiary J. M. Schneider (B.C.) Limited, and
- J. M. Schneider Inc. will lease the land and buildings of Schneider Corporation.

With these changes, the wholly owned subsidiary J. M. Schneider Inc. will be the primary operating company and Schneider Corporation will then be concerned with general management and the holding of the corporations' real estate.

12. Other Statutory Information

Remuneration of directors and senior officers (as defined by The Business Corporations Act) for the year amounted to \$423,000 (\$441,000 in 1974).

13. Comparative Figures

The 1974 comparative figures have been restated on the basis of the 1975 financial statement presentation.

Ten Year Statistical Review

Schneider Corporation

(IN THOUSANDS OF DOLLARS)	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966
Sales	\$217,018	\$202,270	\$177,191	\$116,465	\$84,163	\$79,289	\$70,181	\$61,067	\$57,902	\$58,898
Earnings										
Earnings before income taxes	\$5,610	\$5,871	\$4,629	\$3,715	\$3,185	\$2,878	\$2,693	\$2,264	\$2,140	\$2,745
Income taxes	\$2,545	\$2,585	\$1,921	\$1,708	\$1,599	\$1,531	\$1,444	\$1,195	\$1,109	\$1,399
Net earnings	\$3,065	\$3,286	\$2,708	\$2,007	\$1,586	\$1,347	\$1,249	\$1,069	\$1,031	\$1,346
Basic earnings per share, in dollars	\$1.13	\$1.21	\$1.04	\$.93	\$.84	\$.71	\$.66	\$.56	\$.54	\$.73
Percent of sales	1.41%	1.62%	1.53%	1.72%	1.88%	1.70%	1.77%	1.75%	1.78%	2.29%
Dividends (including tax paid on undistributed income)	\$702	\$810	\$727	\$601	\$494	\$456	\$299	\$244	\$688	\$166
Rate per share	26¢	30¢	28¢	28¢	26¢	24¢	16¢	13¢	36¢	9¢
Capital expenditures	\$2,595	\$2,382	\$3,733	\$2,950	\$3,509	\$1,944	\$2,413	\$1,355	\$1,398	\$1,477
Depreciation and amortization	\$1,955	\$1,671	\$1,602	\$1,382	\$1,175	\$998	\$888	\$859	\$776	\$626
Salaries, wages and employee benefits	\$34,048	\$30,226	\$24,718	\$21,537	\$18,767	\$15,701	\$13,953	\$12,270	\$11,466	\$9,978
Average number of employees	2,640	2,567	2,392	2,244	1,985	1,880	1,731	1,733	1,688	1,551
Working capital	\$12,000	\$11,276	\$9,713	\$8,504	\$5,618	\$4,832	\$4,348	\$4,800	\$4,283	\$4,391
Working capital ratio	1.91	1.82	1.68	2.04	2.31	2.43	2.23	2.73	3.09	3.29
Total assets	\$48,060	\$45,741	\$43,212	\$31,781	\$22,175	\$18,012	\$16,730	\$14,907	\$13,381	\$12,734
Shareholders' equity	\$29,810	\$27,447	\$24,970	\$20,032	\$14,452	\$13,360	\$12,219	\$11,269	\$10,428	\$9,739
Percent return on equity	10.28%	11.97%	10.85%	10.02%	10.97%	10.08%	10.22%	9.49%	9.89%	13.82%
Equity per share, in dollars	\$11.04	\$10.16	\$9.25	\$8.36	\$7.61	\$7.04	\$6.43	\$5.93	\$5.50	\$5.28
Number of shares outstanding (thousands)	2,701	2,701	2,701	2,395	1,899	1,899	1,899	1,899	1,897	1,843
Number of shareholders	2,385	2,379	2,560	2,217	1,955	2,002	1,995	506	455	422

Notes

1. The number of shares outstanding and per share earnings and dividends have been recalculated to give effect to the stock split in 1969.
2. Capital expenditures includes only items added to fixed assets during the year and does not include those items designated in the balance sheet as deferred renovations and fixed assets under construction.

Plant and Office Locations

Schneider Corporation

HEAD OFFICE AND PLANT
321 Courtland Avenue East
Kitchener, Ontario

PLANTS (Ontario)

- Northumberland Street
Ayr, Ontario
- R.R. 2
Wellesley, Ontario

WAREHOUSE (Ontario)

Weidman Food Distributors
147 Hardisty Street North
Thunder Bay F, Ontario

OFFICE AND PLANT (Manitoba)

140 Panet Road
Winnipeg, Manitoba

PLANTS (Manitoba)

- O.K. Packers
341 Dupuy Street
Winnipeg, Manitoba
- 358 Flora Avenue
Winnipeg, Manitoba

OFFICE AND WAREHOUSE (Manitoba)

Weidman Food Distributors
60 Bunting Street
Winnipeg, Manitoba

WAREHOUSE (Manitoba)

Weidman Food Distributors
Cor. Sutherland and Salter
Winnipeg, Manitoba

OFFICE AND PLANT (British Columbia)

4305 Dawson Street
North Burnaby, British Columbia

BRANCH OFFICES

- Bloordale Square
385 The West Mall, Suite 253
Etobicoke, Ontario
- 1673 Carling Avenue, Suite 112
Ottawa, Ontario
- Treasure Island Plaza, Suite 101
Wellington Street & Highway 401
London, Ontario
- 210 Cedar Street, Suite 303
Sudbury, Ontario
- 6655 Côte des Neiges, Suite 255
Montreal, Quebec
- The ABCO Centre
3767 Howe Avenue, Suite 206
Halifax, Nova Scotia

What we produce

Schneider Corporation

FRESH AND FROZEN SAUSAGE

Country pork; Garlic Country pork; Breakfast; Mini-Sizzlers; all-beef Mini-Sizzlers; English; link pork; Kent; braided Kent; pre-cooked Oktoberfest.

WIENERS

Two-pounders; Big Reds; Red Hots; Skinless; Dutch Treet Franks; Bar-B-Cue Franks; All-Beef; special sizes (shipped frozen only).

BOLOGNA

Blue Ribbon; Bung; Chunked vacpac; Titewrap square; Garlic square; regular, large and vacuum Rings.

MINI DELI

Beerwurst; Polish; Cooked Salami; Jagdwurst; Thuringer; Summer sausage; Pepperoni; Spiced Ham; Mini Deli variety pac.

SELF-SERVE ROLLS

Meat sandwich spread; Chicken spread; Liver; Braunschweiger; Bacon-Liver; Pizza-style meat spread; Ham and Cheese meat spread; Bacon style meat spread; Polish.

PREPARED SAUSAGE

Smokies; Cocktail Smokies; Smoked Pork; jumbo Polish; Polish sausage straights; ring Polish; skinless Polish links; Kielbassa; White pudding; Liverwurst; Liverwurst chub; Blood pudding.

DRY SAUSAGE

Thuringer; Summer; Jumbo summer; Cooked Salami; Dry Salami; Hot Rods.

PEPPERONI

Pepperoni; Pepperettes.

FLEXPAC SLICED MEATS

Chicken loaf; Luncheon meat; Macaroni and Cheese; Pickle and Pimento; Pork loaf with Dressing; Olive and Pimento; Headcheese; Dutch loaf; Bavarian; Kielbassa; Beerwurst; sliced Polish sausage; Spiced Ham; Jumbo summer sausage; Cooked Salami; Thuringer; French Onion meatloaf; Ham and Cheese; Pizza meat loaf; Blue Ribbon bologna; Garlic bologna; Dutch Treet bologna; All-Beef bologna; regular Cooked Ham; square Cooked Ham; broken Cooked Ham; regular Cooked Picnic Ham; jellied Ox Tongue; Corned Beef; Chipped Beef; Variety Pak; square Assorta; round Assorta.

ROAST AND COOKED MISCELLANEOUS

Regular, Continental, and square Cooked Hams; Roast Pork Tails; cooked pickled pigs feet.

MEAT LOAVES AND ROLLS

Olive and Pimento; Pickle and Pimento; Pork with Dressing; Dutch loaf; Macaroni and Cheese; Chicken; Mock Chicken; Luncheon meat; Beerwurst sausage; Conestoga sausage; French onion meatloaf; Ham and Cheese; Pizza-style; Spiced Ham roll; Roast Loin with Dressing; Continental Cooked Picnic.

MISCELLANEOUS

Jellied Turkey and Ham; Jellied Ox Tongue; Headcheese; Cooked Corned Beef; large deli Beerwurst; large deli Jagdwurst; large deli Spiced Ham.

CHUNKED LUNCHEON MEATS

Round Pickle and Pimento; round Chicken Loaf; round Luncheon Loaf; round Macaroni and Cheese; round Cooked Salami.

BACON

Rind-off breakfast Bacon; Country Maple sliced; side and back Bacon; Skillet Strips and Skillet Slices.

HAM STEAKS

Ham Steaks; smoked Ribs; smoked Loin Pork Chops.

SMOKED HAMS

Smoked Ham (rind on); Olde-Fashioned smoked ham; Ready-to-eat Dinner Ham; smoked Cottage Rolls; smoked Picnics.

MEALD MEATS

Cornmeal back.

MISCELLANEOUS GROCERY PRODUCTS

Crispycrust pure lard; Crispyflake shortening; Fish N Chip shortening; Sure-Puff shortening; Hyrise cake shortening; Sweet-Do shortening; Fri-Krisp shortening; rendered beef dripping; Peanut oil; Beef, Chicken and Pork meat pies; Mincemeat tarts; Sauerkraut.

CHEESES AND DAIRY PRODUCTS

Mild, Medium and Old Cheddar; Farmers'; Colby; Mozzarella; low-fat Mozzarella; Brick; Limburger; Extra Old white; processed cheese Spread; Wine Cured; Rum Cured Old; Buttercup brand butter; solid, whipped soft and parchment-wrapped Margarine. (Most cheeses are produced in bulk, random cuts, wedges, sticks, bars and slices.)

FRESH AND FROZEN MEATS AND POULTRY

The company markets fresh and frozen Pork, Beef, and Lamb in a variety of cuts; plus whole and portions of Chicken; Turkey; Rock Cornish hens; Ducks; and Geese.

PORTION FOODS

¼ pound; Beef Burgers; Steakettes; Patties; Fried Chicken; Turkey Roasts and Rolls.

